

BIG BAY DE NOC SCHOOL DISTRICT
Cooks, Michigan

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2008

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Big Bay de Noc School District
Cooks, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Big Bay de Noc School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Big Bay de Noc School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Bay de Noc School District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of the Big Bay de Noc School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 34 and 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Bay de Noc School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Anderson, Tackman & Company P.C." in a cursive, flowing script.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 10, 2008

This section of the Big Bay de Noc School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements. These statements are organized so the reader can understand Big Bay de Noc School's finances as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The Fund Financial Statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the Sinking/Construction Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Financial Section

Basic Financial Statements

- District Wide Financial Statements

Fund Financial Statements

- Balance Sheet-Governmental Funds
- Statement of Revenues, Expenditures
- Statement of Fiduciary Net Assets
- Notes to Financial Statements

Required Supplemental Information

- Budgetary Comparison Schedule

Other Supplemental Information

- Combining Balance Sheet Non-major Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Non-major Governmental Funds

BIG BAY DE NOC SCHOOL**Management's Discussion and Analysis****The School District as a Whole**

The following summarizes the net assets at fiscal year ended June 30, 2008 and 2007:

NET ASSETS SUMMARY

Assets	<u>2008</u>	<u>2007</u>
Current Assets	\$ 965,839	\$ 1,037,114
Capital Assets	<u>\$ 3,043,558</u>	<u>\$2,785,723</u>
Total Assets	<u>\$ 4,009,397</u>	<u>\$3,822,837</u>
Liabilities		
Current Liabilities	\$ 268,485	\$ 215,735
Non-Current Liabilities	<u>\$ 170,579</u>	<u>\$ 260,503</u>
Total Liabilities	<u>\$ 439,064</u>	<u>\$ 476,238</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 3,020,414	\$2,743,613
Restricted for:		
Sinking Fund	\$ 316,371	\$ 370,129
Unrestricted	<u>\$ 233,548</u>	<u>\$ 232,857</u>
Total Net Assets	<u>\$ 3,570,333</u>	<u>\$3,346,599</u>

The above analysis focuses on the net assets. The School District's net assets were \$3,570,333 as of June 30, 2008. Capital assets, net of related debt, totaled \$3,020,414. The cost of the assets is \$5,741,329, and accumulated depreciation is \$2,697,771. This compares the original cost, less depreciation of the School district's capital assets, used to finance the acquisition of some of these assets. The restricted net assets are restricted for the Sinking Fund in the amount of \$316,371.

BIG BAY DE NOC SCHOOL**Management's Discussion and Analysis**

The results of this year's operations for Big Bay de Noc Schools as a whole are reported in the statement of activities, which show the changes in net assets for fiscal year 2008. Following the rules of GASB 34, a revenue and expense comparison to the previous year is shown.

Program Revenues:

	2008	2007
Charges for Services	\$ 54,495	\$ 49,913
Operating Grants and Contributions	<u>331,349</u>	<u>384,070</u>
Total Program Revenue	<u>\$ 385,844</u>	<u>\$ 433,983</u>

General Revenues:

Property taxes levied for general operations	\$ 1,409,651	\$1,292,987
Property taxes levied for Sinking Fund	296,716	282,571
State Aid Formula Grant	726,255	764,097
Other	<u>225,858</u>	<u>274,599</u>
Total General Revenues	\$ 2,658,480	\$2,614,254

Total Revenues	<u><u>\$ 3,044,324</u></u>	<u><u>\$3,048,237</u></u>
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Expenses:

Instruction	\$ 1,384,800	\$1,659,225
Support Services	970,340	952,153
Depreciation-Unallocated	210,716	227,194
Interest on Long-Term Debt	16,101	17,426
Athletics	70,052	66,596
Food Services	161,688	154,731
Other	<u>6,893</u>	<u>5,849</u>

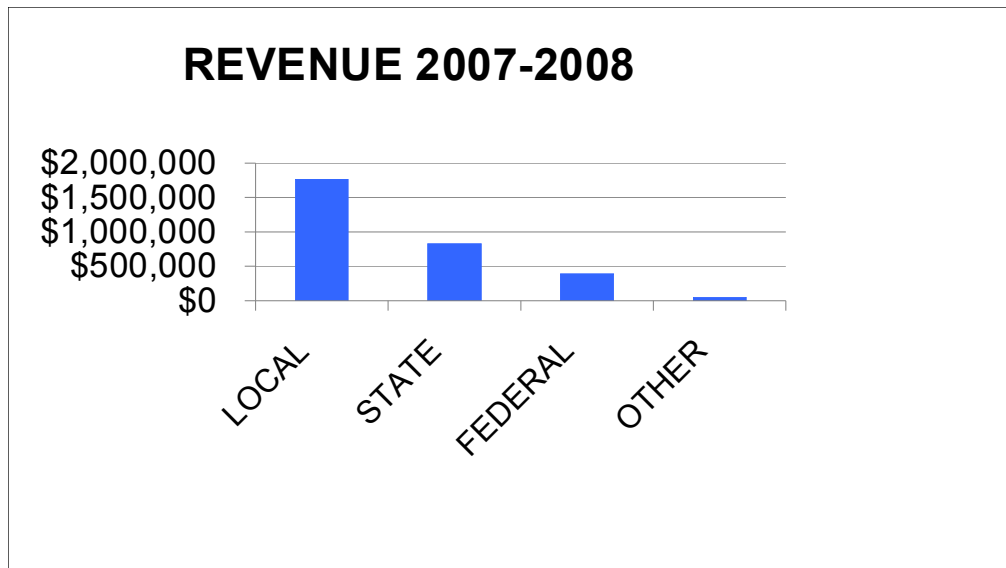
Total Expenses	<u><u>\$ 2,820,590</u></u>	<u><u>\$3,083,174</u></u>
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Increase/(Decrease) in net assets	\$ 223,734	(\$ 34,937)
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As indicated above, net assets increased by \$223,734. This increase relates to the District's investment in capital assets exceeding depreciation expense in the current year.

Revenues

The following chart illustrates the District's sources of revenues:

**Sources of Revenues**

Local sources of revenues total \$1,764,172 and includes revenues to the General Fund of \$1,409,651, School Lunch Fund of \$34,828, Athletic Fund of \$19,667, Memorial Fund of \$780, Playground fund of \$2,530, and Sinking Fund of \$296,716. Local sources of revenue totals 58% of the total revenue received. The General Fund receives its largest share of total revenue from local sources from taxes, which is tied to the high Non-Homestead taxable value. This also is tied to when we have the greatest cash flow for operations.

State sources of revenues total \$824,856 and include revenues to the General Fund of \$809,716 and School Lunch fund of \$15,140. State sources of revenue totals 27% of the total revenue received for 2008, a decrease of 4% from 2007.

Federal sources of revenues total \$393,890 and include revenues to the General Fund of \$319,156 and School Lunch fund of \$74,734. Federal sources of revenue totals 13% of the total revenue received.

Other sources of revenues total \$51,416 and include revenue to the General Fund of \$51,416. Other sources of revenue totals 2% of total revenue received.

Property Taxes

The most significant portion of funding to the District is through local property taxes. A significant portion of local revenue is provided from property taxes for the General Fund and the Sinking Fund. Property tax revenue totaled \$1,706,367. The General Fund local property taxes collected totaled \$1,409,651. The Sinking Fund local property taxes collected totaled \$296,716. The General Fund amount is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations. Due to the rising non-homestead taxable value our district has fallen under the Headlee Millage Reduction Fraction. In 2003-2004 the district did not receive \$48,601 of the local property taxes. On June 14, 2004 the voters approved up to 2 mills for a Headlee Override. The district levied 1.6439 of these mills in 2006. A voter approved 2.9 Sinking Fund mill levy on the taxable value of all properties, homestead and non-homestead, was levied in 2007-2008, however there was a headlee rollback on this millage and only 2.4697 mills were levied for the Sinking Fund. This Sinking Fund millage was voted in on February 17, 1998 for ten years. The revenue generated from the Sinking fund has strict restrictions on how it can be spent. Section 1212 (1) authorizes the following three sinking fund uses:

- The purchase of real estate for school building sites.
- The Construction of school buildings; and
- The repair of school buildings.

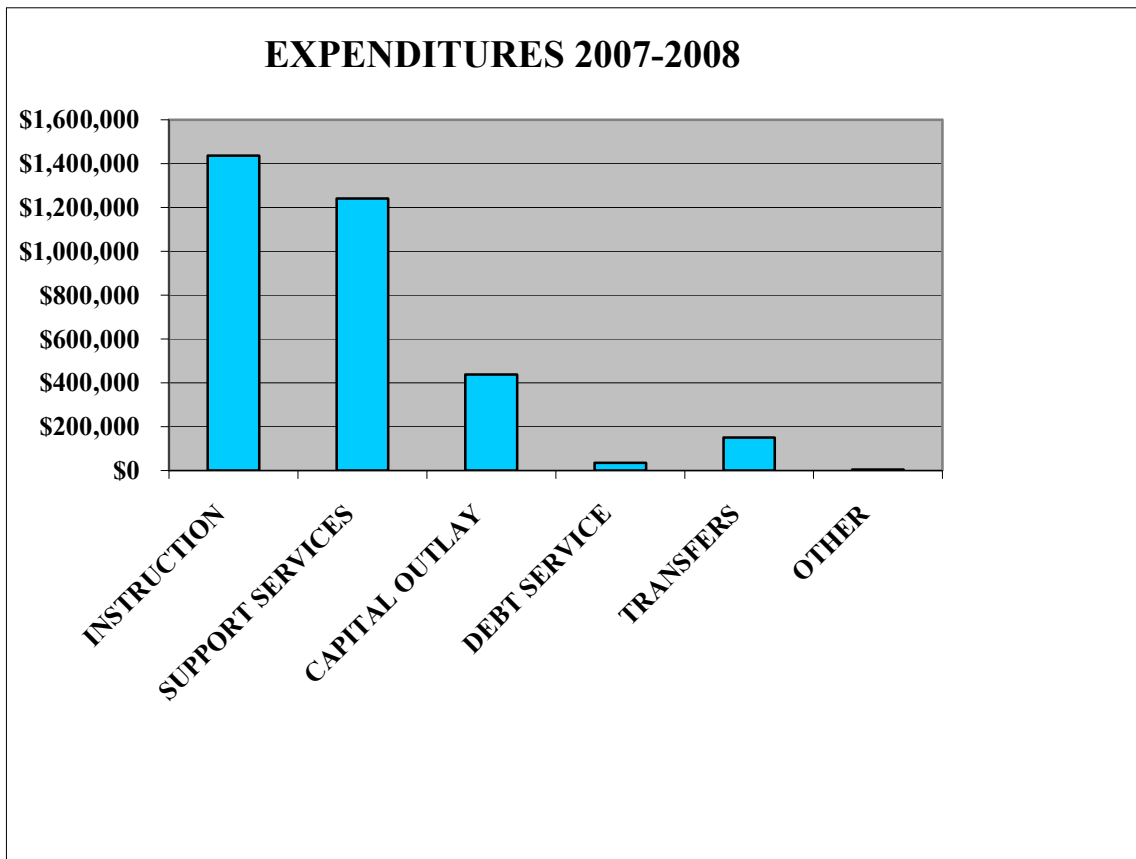
Over the last 3 years taxable values have increased by 21.9% for homestead and non-homestead properties.

Unrestricted State Aid Foundation Allowance

The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$7,281 per student for the 2007-2008 fiscal year, which is an increase of \$117 per student over the 2006-2007 foundation allowance. The number of students to be funded is calculated by student enrollment blended at 75% of current year September count and 25% of prior year February count. Due to declining enrollment this count is blended with the previous two years count and if this blend is greater, the district can use that count. The 3 year blend for Big Bay de Noc School total for fiscal year 2007-08 was 290.31. The overall funding is then reduced by the District's non-homestead tax levy based on 18 mills. The district is facing declining enrollment every year so the three year blended count doesn't generate as much additional revenue to help defray the loss of students.

Expenditures

The following chart illustrates the District's expenditures:



Expenses include Instruction \$1,436,623, Support Services \$1,241,372, Capital Outlay \$437,937, Debt Service \$35,067, Transfers \$150,705, and other \$3,801. School Lunch Fund and Athletic Fund expenses are included in Support Services.

Capital Assets and Debt Administration**Capital Assets**

At June 30, 2008, the District had \$5,741,329 invested in a broad range of capital assets, including land, buildings, furniture, and equipment.

	2008	2007
Assets		
Land	\$ 500	\$ 500
Land Improvements	210,840	201,840
Buildings and Improvements	4,338,410	3,912,641
Vehicles	493,891	487,891
Machinery and Equipment	<u>697,688</u>	<u>677,676</u>
Total	<u>5,741,329</u>	<u>5,280,548</u>
Less Accumulated Depreciation	<u>2,697,771</u>	<u>2,494,825</u>
Net Total	<u>\$3,043,558</u>	<u>\$2,785,723</u>

This was a net increase in capital assets of \$257,835 over last year and includes land improvements, building improvements, and equipment. Depreciation expense for the year is \$210,716.

Debt

In 2008, the District paid \$18,966 on the loan balance leaving an ending balance of \$23,144 on the school bus loan. The District has no other general obligation debt payable. The District also has early retirement incentives which are due to retired teachers over the next several years in annual installment payments, which amounts to \$198,336 as of June 30, 2008.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2009 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of unrestricted foundation allowance.

The 2008 budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

Original vs. Revised Budget

The uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget three times during the school year. For Fiscal year 2007-2008, the budget was revised in October 2007, February 2008, and June 2008.

General Fund Revenues

Total revenues-June revision	\$2,585,226
Total revenues-original budget	\$2,586,985
Difference	\$ 1,759

Increase in Revenue Budget

The District's actual general fund revenues were \$9,474 more than the revised budget.

A significant revised budget adjustment for the fiscal year was:

- Received an increase in the grant to operate the Michigan Readiness program
- Received an Section 22d.4 Isolated District Funds

General Fund Expenditures

Total expenditures-June revision	\$2,641,800
Total expenditures-original budget	\$2,655,597
Difference	\$ 13,797

Decrease in Expenditure Budget

The District's actual general fund expenditures were \$4,108 less than the revised budget.

A significant revised budget adjustment for the fiscal year was:

- Cut back in general operating expenditures.
- Contracted janitorial services.
- Early retirement incentives.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office at Big Bay de Noc School, 8928 00.25 Road, Cooks, Michigan, 49817.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Equivalents	\$ 730,776
Due from State of Michigan	214,354
Due from Other Funds	200
Inventories	<u>20,509</u>
Total Current Assets	<u>965,839</u>
Non-Current Assets:	
Capital Assets - net	<u>3,043,558</u>
Total Assets	<u><u>\$ 4,009,397</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 32,216
Deferred Revenue	1,555
Accrued Payroll and Related Liabilities	140,008
Current Maturities of Long-Term Debt	<u>94,706</u>
Total Current Liabilities	<u>268,485</u>
Non-Current Liabilities:	
Bonds Payable	22,445
Note Payable	23,144
Compensated Absences Payable	21,360
Early Retirement Payable	198,336
Less Current Maturities Reported Above	<u>(94,706)</u>
Total Non-Current Liabilities	<u>170,579</u>
Total Liabilities	<u><u>\$ 439,064</u></u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	\$ 3,020,414
Restricted for:	
Sinking Fund	316,371
Unrestricted	<u>233,548</u>
Total Net Assets	<u><u>\$ 3,570,333</u></u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2008

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets - Governmental Activities
Instruction:				
Basic Programs	\$ 961,291	\$ -	\$ -	\$ (961,291)
Added Needs	423,509	-	238,165	(185,344)
Total Instruction	1,384,800	-	238,165	(1,146,635)
Support Services:				
Pupil	31,325	-	-	(31,325)
School Improvement	2,838	-	-	(2,838)
Technology	67,348	-	-	(67,348)
Professional Development	3,082	-	-	(3,082)
Instructional Staff - Library	38,308	-	-	(38,308)
Board of Education	21,477	-	-	(21,477)
Executive Administration	100,480	-	-	(100,480)
Office of the Principal	141,350	-	-	(141,350)
Fiscal Services	47,662	-	-	(47,662)
Community Services	23,089	-	3,310	(19,779)
Operation and Maintenance	227,748	-	-	(227,748)
Pupil Transportation	220,223	-	-	(220,223)
Information Services	5,393	-	-	(5,393)
Central Services	40,017	-	-	(40,017)
Total Support Services	970,340	-	3,310	(967,030)
Other:				
Depreciation - Unallocated	210,716	-	-	(210,716)
Interest on Long-Term Debt	16,101	-	-	(16,101)
Athletics	70,052	19,667	-	(50,385)
Food Services	161,688	34,828	89,874	(36,986)
Other	6,893	-	-	(6,893)
Total Other	465,450	54,495	89,874	(321,081)
Total Governmental Activities	<u>\$ 2,820,590</u>	<u>\$ 54,495</u>	<u>\$ 331,349</u>	(2,434,746)
General Revenues:				
Taxes:				
Property Taxes Levied for General Operations				1,409,651
Property Taxes Levied for Sinking Fund				296,716
State Aid Formula Grant				726,255
Schools and Roads Grant				118,781
Investment Earnings				9,990
State Settlement for Durant Suit				3,801
Miscellaneous Sources				93,286
Total General Revenues				<u>2,658,480</u>
CHANGE IN NET ASSETS				223,734
Net Assets, Beginning of Year				<u>3,346,599</u>
NET ASSETS, END OF YEAR				<u><u>\$ 3,570,333</u></u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2008

	General	Sinking/ Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Equivalents	\$ 412,272	\$ 293,231	\$ 25,273	\$ 730,776
Due from State of Michigan	214,354	-	-	214,354
Due from Other Funds	18,416	50,505	6,193	75,114
Inventory	16,685	-	3,824	20,509
TOTAL ASSETS	\$ 661,727	\$ 343,736	\$ 35,290	\$ 1,040,753
LIABILITIES:				
Accounts Payable	\$ 4,801	\$ 27,365	\$ 50	\$ 32,216
Due to Other Funds	52,525	-	22,389	74,914
Accrued Payroll and Related Liabilities	140,008	-	-	140,008
Deferred Revenue	-	-	1,555	1,555
TOTAL LIABILITIES	197,334	27,365	23,994	248,693
FUND BALANCES:				
Fund Balance:				
Reserved for Inventory	16,685	-	3,824	20,509
Unreserved:				
Designated	219,696	-	-	219,696
Undesignated	228,012	316,371	-	544,383
Unreserved, Reported in Nonmajor:				
Special Revenue	-	-	7,594	7,594
Capital Projects	-	-	(122)	(122)
TOTAL FUND BALANCES	464,393	316,371	11,296	792,060
TOTAL LIABILITIES AND FUND BALANCES	\$ 661,727	\$ 343,736	\$ 35,290	\$ 1,040,753

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total fund balances - governmental funds	\$	792,060
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported as
assets in the governmental funds. The cost of the
assets is \$5,741,329, and the accumulated
depreciation is \$2,697,771.

3,043,558

Long-term liabilities, including bonds payable, are not
due and payable in the current period and therefore
are not reported as liabilities in the specific
governmental funds. Long-term liabilities at year-end
consist of the following:

Bonds payable	\$	22,445	
Note payable		23,144	
Compensated absences		21,360	
Early retirement payable		<u>198,336</u>	<u>(265,285)</u>

Total net assets - governmental activities	\$	<u><u>3,570,333</u></u>
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See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	General	Sinking/ Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local Sources	\$ 1,409,651	\$ 296,716	\$ 57,805	\$ 1,764,172
State Sources	809,716	-	15,140	824,856
Federal Sources	319,156	-	74,734	393,890
Other	51,416	-	-	51,416
TOTAL REVENUES	2,589,939	296,716	147,679	3,034,334
EXPENDITURES:				
Instruction:				
Basic Programs	1,013,114	-	-	1,013,114
Added Needs	423,509	-	-	423,509
Total Instruction	1,436,623	-	-	1,436,623
Support Services:				
Pupil	31,325	-	232,932	264,257
School Improvement	2,838	-	-	2,838
Technology	87,362	-	-	87,362
Professional Development	3,082	-	-	3,082
Instructional Staff - Library	38,308	-	-	38,308
Board of Education	21,477	-	-	21,477
Executive Administration	100,480	-	-	100,480
Office of the Principal	144,288	-	-	144,288
Fiscal Services	47,662	-	-	47,662
Community Services	10,788	-	12,301	23,089
Operation and Maintenance	242,896	-	-	242,896
Pupil Transportation	220,223	-	-	220,223
Information Services	5,393	-	-	5,393
Central Services	40,017	-	-	40,017
Total Support Services	996,139	-	245,233	1,241,372
Capital Outlay	15,357	422,580	-	437,937
Debt Service	35,067	-	-	35,067
Other	3,801	-	-	3,801
TOTAL EXPENDITURES	2,486,987	422,580	245,233	3,154,800
EXCESS REVENUES (EXPENDITURES)	102,952	(125,864)	(97,554)	(120,466)
OTHER FINANCING SOURCES (USES):				
Interest Earned	4,761	4,331	898	9,990
Operating Transfers In	-	67,775	82,930	150,705
Operating Transfers Out	(150,705)	-	-	(150,705)
TOTAL OTHER FINANCING SOURCES (USES)	(145,944)	72,106	83,828	9,990
NET CHANGES IN FUND BALANCES	(42,992)	(53,758)	(13,726)	(110,476)
Fund Balance, Beginning of Year	507,385	370,129	25,022	902,536
FUND BALANCE, END OF YEAR	\$ 464,393	\$ 316,371	\$ 11,296	\$ 792,060

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ (110,476)
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The change in fund balances reported for governmental activities in the statement of activities is different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$210,716) is less than capital outlays (\$470,451) for the period.

259,735

Repayment of principal on debt is an expenditure in the governmental funds but reduces the debt liability in the statement of net assets.

18,966

Loss on disposal of capital assets

(1,900)

In the statement of activities expenses for compensated absences and special termination benefits for early retirement are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount paid out during the year.

57,409

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 223,734

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Private- Purpose Trusts	Agency Funds
ASSETS:		
Cash and Equivalents	\$ 10,357	\$ 26,841
LIABILITIES:		
Due to Other Funds	\$ 200	\$ -
Due to Student Groups	-	26,841
TOTAL LIABILITIES	\$ 200	\$ 26,841
NET ASSETS		
Reserved for Scholarships	\$ 10,157	

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2008

	Private- Purpose Trusts
ADDITIONS:	
Interest Earned	<u>\$ 412</u>
DEDUCTIONS:	
Scholarships Awarded	<u>200</u>
CHANGE IN NET ASSETS	<u>212</u>
Net Assets, Beginning of Year	<u>9,945</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,157</u></u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Big Bay de Noc School District (The School District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the significant policies:

(1) Reporting Entity – The Board of Education, a seven member group constituting an ongoing entity, is the level of government which has governing responsibility over all activities related to public elementary and secondary school education within the jurisdiction of the District. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units as required under Government Accounting Standards Board Statement number 14, "The Financial Reporting Entity", as amended by GASB Statement number 39, "Determining whether Certain Organizations are Component Units". Based upon the criteria outlined in these statements, the financial statements of the Big Bay de Noc School District contain all the funds controlled by the District's Board of Education. There are no other entities which meet the criteria to be considered a blended component unit or a discretely presented component of the District, nor is the District a component unit of another entity.

(2) Basic Financial Statements – Government-Wide – The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts:

- Invested in capital assets, net of related debt – This category consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – This category consists of net assets with constraints placed on the use of the assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of the categories listed above.

When both restricted and unrestricted resources are available, its the District's policy to first utilizes restricted resources to finance qualifying activities.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, and others).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the School District as an entity and the change in the District's net assets resulting from the current year's activities. The government-wide financial statements do not include any fiduciary funds of the School District.

(3) Basic Financial Statements – Fund Financial Statements – The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise its' assets, liabilities, fund balances, revenues and expenditures. Government resources are allocated and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped in the fund financial statements in this report into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total of all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The School District reports the General Fund and the Sinking/Construction fund as major funds in accordance with the above criteria.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fund types of the School District are described below:

Governmental Funds

Major Funds:

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Sinking/Construction Fund – This fund accounts for the proceeds from 2.9 mill levy that was passed in 1998 to be used for improving, remodeling or repairing the Districts facilities.

Nonmajor Funds:

Special Revenue Funds - Special revenue funds are used to account for the activities of specific school service revenue sources such as the School Lunch Fund, Athletic, Memorial Fund and Playground Fund.

Capital Project Funds - Capital project funds are used to account for financial resources to be used for the acquisition, construction, or major repair of major capital facilities or other capital assets, including equipment. The Sinking/ Construction Fund, Major Maintenance Fund and the Library Construction Fund are the capital project funds of the School District.

Debt Retirement Funds - Debt retirement funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the school district in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Private Purpose Trust Funds and Agency Funds.

- a. Private-Purpose Trust Funds – Private-Purpose trust funds are used to account for the receipts and expenditures of assets held under a trust agreement. The Private-Purpose trust fund maintained by the District is the Scholarship Fund.
- b. Agency Funds - Agency funds are used to account for assets held by the District as trustee or agent for individuals, private organizations and other governmental units. The agency fund maintained by the District is the Student Activities Fund.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Measurement Focus and Basis of Accounting – The basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus. The government-wide financial statements uses the economic resources measurement focus.

- a. Accrual Basis – Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.
- b. Modified Accrual Basis – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when the resource is both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures are generally recognized when the related fund liability is incurred with certain exceptions, such as interest of general long-term debt, which is recognized when due.

(5) Inventory – The General Fund and the School Lunch Fund utilize the consumption method of recording the inventory of food and supplies held for consumption, and accordingly, the inventory is recorded as an expenditure when it is used. This inventory is valued at the lower of cost (first-in, first-out) or market.

(6) Capital Assets – The accounting and reporting treatment applied to capital assets depends on whether the assets are reported in the government-wide financial statements or the fund financial statements.

Government-wide Statements

In the government-wide financial statements fixed assets are capitalized. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated fixed assets are recorded at their estimated fair market value at the date of donation.

Depreciation on all exhaustible fixed assets is recorded as an unallocated expense in the Statement of Activities with accumulated depreciation being reflected in the Statement of Net Assets. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and additions	15 - 40 years
Land improvements	15 years
Vehicles	10 years
Equipment	5 – 15 years

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

(7) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets and the Statement of Fiduciary Net Assets is presented below:

Government-wide Statement of		
Net Assets		\$ 730,776
Statement of Fiduciary Net Assets:		
Private Purpose Trusts	\$ 10,357	
Agency Funds	26,841	37,198
Total Cash and Equivalents		<u>\$ 767,974</u>
Composition of balances:		
Imprest Cash		\$ 250
Deposits:		
Checking Accounts		170,927
Savings Accounts		596,797
Total		<u>\$ 767,974</u>

Cash and cash equivalents consist primarily of short-term investments with an original maturity of three months or less and are carried at cost, which approximates fair value.

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B – CASH AND EQUIVALENTS (continued)

Attorney General's Opinion no. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The district carries no significant interest rate risk as all of its holding are in bank accounts or mutual funds with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by national recognized statistical rating organizations with a maximum maturity of 270 days. As of June 30, 2008, the District did not hold any commercial paper.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. The District does not have a policy on custodial credit risk. At June 30, 2008 the District held the following insured and uninsured amounts:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Insured	\$ 385,614	\$ 334,646
Uninsured	508,157	433,328
Total	<u>\$ 893,771</u>	<u>\$ 767,974</u>

Concentration of Credit Risk. The District has no significant concentration of credit risk due to the fact that its deposits are with area banks or with the MILAF mutual fund.

Foreign Currency Risk. The District has no foreign currency risk as it has no deposits or investments in foreign currency.

NOTE C – DEFICIT FUND BALANCE

The District has a deficit unreserved fund balance in the School Lunch Fund and the Library Construction Fund in the amounts of \$6,262 and \$2,366, respectively.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D – CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Balance July 1, 2007	Additions	Transfers/ Disposals	Balance June 30, 2008
Capital Assets Not Being Depreciated:				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital Assets Being Depreciated:				
Land Improvements	201,840	9,000	-	210,840
Buildings and Improvements	3,912,641	428,937	3,168	4,338,410
Vehicles	487,891	12,500	6,500	493,891
Machinery and Equipment	677,674	20,014	-	697,688
Total depreciable assets	5,280,046	470,451	9,668	5,740,829
Total capital assets	5,280,546	470,451	9,668	5,741,329
Accumulated Depreciation	2,494,823	210,716	7,768	2,697,711
Net depreciable capital assets	2,785,223	259,735	1,900	3,043,058
Net Total	\$ 2,785,723	\$ 259,735	\$ 1,900	\$ 3,043,558

Depreciation expense amounted to \$210,716 for the year ended June 30, 2008 and the entire amount was recorded as depreciation expense – unallocated in the Statement of Activities.

NOTE E - ACCRUED FRINGE BENEFITS

The District, as part of the various employment contracts with its personnel, allows for annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

Vacation Days – Various employees for the District are allowed to accumulate vacation days in the year when they are earned. The liability to the District for employee unused vacation has been calculated to be \$7,050 as of June 30, 2008.

Sick Pay – The District allows the accumulation of sick pay, however, sick pay is not vested and no payments of accumulated sick pay are required upon retirement. Accordingly, accumulated sick pay of \$211,888 as of June 30, 2008 is not recorded as a liability in the Statement of Net Assets.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E - ACCRUED FRINGE BENEFITS (continued)

Retirement Bonus – Teachers who have at least fifteen consecutive years of service in the District shall generally be entitled to a bonus of ten percent of their previous year's salary upon retirement.

Employees other than teachers, qualifying for retirement as determined by Michigan Public School Employee Retirement System shall receive the greater of one days pay for each year worked or one-third of the amount of their accumulated sick leave.

The accumulated retirement bonus for qualified employees as reported in the Statement of Net Assets as of June 30, 2008 was \$14,310.

Early Retirement Incentive – During the year ended June 30, 2004 the District offered eligible employees an early retirement incentive. The District will pay each eligible individual \$30,000 and it will be paid in six annual installments of \$5,000 beginning January 1, 2004. Three employees accepted the early retirement incentive and received payments during the year ended June 30, 2008 totaling \$15,000.

During the year ended June 30, 2007 the school district offered eligible employees an early retirement incentive. The District will pay each eligible individual \$50,000 and it will be paid in six annual installments of \$8,333 beginning August 1, 2006. Three employees accepted the early retirement incentive and received payments during the year ended June 30, 2008 totaling \$24,999.

During the year ended June 30, 2007 the school district offered eligible employees a second early retirement incentive. The District will pay each eligible individual \$50,000 and it will be paid in six annual installments of \$8,333 beginning July 1, 2007. Two employees accepted the early retirement incentive and received payments during the year ended June 30, 2008 totaling \$16,666.

This leaves the District a recorded liability of \$198,336 in the Statement of Net Assets.

NOTE F - DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Deferred revenue represents unexpended funds received or receivable from state and federal project grants. Deferred revenue at June 30, 2008 consisted of the following:

Hot Lunch Fund:

Inventory

\$ 1,555

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G – SHORT-TERM BORROWING

During the year ended June 30, 2008, the School District borrowed \$400,000 for cash flow purposes. The following is a summary of the short-term debt for the year ending June 30, 2008:

	Balance 7/1/2007	Additions	Deductions	Balance 6/30/2008
Short-term debt	\$ -	\$ 400,000	\$ (400,000)	\$ -

NOTE H - GENERAL LONG-TERM DEBT

The following is a summary of the change in general long-term debt for the year ending June 30, 2008:

	Durant Bonds	Notes Payable	Accrued Fringe Benefits	Total
Balance, July 1, 2007	\$ 22,445	\$ 42,110	\$ 277,105	\$ 341,660
Additions	-	-	-	-
Retirements	-	(18,966)	(57,409)	(76,375)
Balance, June 30, 2008	\$ 22,445	\$ 23,144	\$ 219,696	\$ 265,285

At June 30, 2008 the School District's long-term debt consisted of the following:

Durant Bonds Payable:

Due in annual installments of principal and interest at an interest rate of 4.76%. Payments are due annually on May 15th, until May 2013. The State of Michigan makes an annual appropriation which is the only revenue source for making the annual debt service payment. If the State of Michigan fails to make the annual appropriation, the District is under no obligation to make the payment.

Total Due	Amounts Due Within One Year
\$ 22,445	\$ 12,927

Note Payable:

A \$75,000 note for the purchase of a 2006 bus. The note calls for 48 monthly payments of \$1,696 and bears an interest rate of 4.15%.

23,144	19,769
--------	--------

Accrued Expenses:

Retirement bonuses, accrued vacation and early retirement incentives.

\$ 219,696	\$ 62,010
\$ 265,285	\$ 94,706

Total

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H - GENERAL LONG-TERM DEBT (continued)

Debt service requirements on long-term debt at June 30, 2008 are as follows:

Year Ending 6/30	Durant Bonds Payable		Note Payable		Early Retirement Incentive
	Principal	Interest	Principal	Interest	
2009	12,928	5,008	19,769	587	56,667
2010	2,216	453	3,375	17	41,667
2011	2,321	348	-	-	41,668
2012	2,432	237	-	-	41,668
2013	2,548	121	-	-	16,666
Total	<u>\$ 22,445</u>	<u>\$ 6,167</u>	<u>\$ 23,144</u>	<u>\$ 604</u>	<u>\$ 198,336</u>

NOTE I – RESERVED/DESIGNATED FUND BALANCE

Fund balance has been designated in the general fund for the year ended June 30, 2007 as follows:

Retirement benefits/compensated absences	<u>\$ 219,696</u>
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NOTE J - PROPERTY TAXES

Property taxes levied attach as an enforceable lien on property. Taxes are levied on December 1, and payable by February 28 of the subsequent year. The School District tax is collected by the various local tax collecting units (townships, cities, etc.). Any real property taxes that are delinquent at March 1 are purchased by the Delta County and Schoolcraft County Delinquent Tax Revolving Funds, thereby reducing the School District taxes receivable to only those personal property taxes which are uncollected and delinquent. The District tax rates are 18.0000 mils per \$1,000 taxable value on non-homestead property for general operations and 2.4697 mils per \$1,000 taxable value on both homestead and non-homestead property for the sinking fund.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE K - RETIREMENT PLAN

Plan Description - The School District contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing, multiple-employer, statewide public employee retirement plan governed by the State of Michigan. The District's total annual payroll which was eligible compensation for MPSERS for the year ended June 30, 2008 was \$1,045,897.

All non-student employees are eligible to participate in the MPSERS. Benefits vest after 10 years of service. Employees under the Basic Plan may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both Basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. The System also provides survivor, death and disability benefits.

Benefits are paid monthly over the member's lifetime and are equal to 1.5% of the members' final average compensation multiplied by the member's years of credited service. The final average compensation period for Basic members is 60 consecutive months and for MIP members it is 36 consecutive months. Also under MPSERS, retirees have the option of continuing health, dental and vision coverage, with a portion of the cost being borne by them.

Contribution Required and Made - The District is required by state statute to contribute 16.72%, for the period of October 1, 2007 to September 30, 2008, of all eligible employees' salaries to the System. Employees who are members of the MIP (membership is required for employees hired after December 31, 1989) are required by statute to contribute an additional 4% of their salary to the Plan. Total School District contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$176,936, \$197,006, and \$200,740, respectively, and employee contributions were \$34,456, \$35,464, and \$36,435, respectively, which were equal to the required contributions for each year.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

MPSERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to MPSERS at P.O. Box 30673, Lansing, MI 48909-8103, or by calling (517) 322-5103.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE L - STATE FOUNDATION REVENUE

For the fiscal year ended June 30, 1995 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on 25 percent of pupil membership count taken in February of 2007 and 75 percent of pupil membership count taken in September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October through August. The local revenue is recognized as outlined in Note J which discusses property taxes.

NOTE M - BUDGETS AND BUDGETARY ACCOUNTING

The School District follows the procedures below in establishing the budgetary data reflected in the financial statements.

1. In June, the superintendent submits to the School Board proposed operating budgets for the fiscal year commencing the following July 1. Proposed budgets include projected expenditures and the means of financing them.
2. Numerous opportunities exist for public comment during the budget process, including at least two formal public hearings.
3. At the June School Board meeting, the budgets for the ensuing year are legally enacted through adoption by the Board and reference thereto in the Board minutes.
4. The general statute governing District budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts in the financial statements are as originally adopted or amended by the School Board. Any unexpended appropriations lapse at year-end.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE N - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring property and casualty. The District purchases commercial insurance coverage to cover the risk of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the school. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE O – OTHER COMMITMENTS AND CONTINGENCIES

The retiree health, dental and vision coverage under the Michigan Public School Employees Retirement System is currently funded on a pay-as-you-go basis. This funding policy is being challenged in the state courts. The outcome of this litigation and its potential effect on the School District are uncertain as of the date of these financial statements.

The District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the District as of June 30, 2008.

NOTE P – SINKING/CONSTRUCTION FUND

In 1998, a ten year sinking fund millage of 2.9 mills was passed by the voters of the school district. The revenue generated from the millage is to be used for the purpose of purchasing, erecting, completing, remodeling or repairing facilities but is not to be used for routine custodial and janitorial services.

NOTE Q – SINGLE AUDIT

OMB Circular A-133 requires entities that expend more than \$500,000 in federal awards to have a single audit as outlined in the OMB Circular. For the year ended June 30, 2008, the District did not expend more than \$500,000 in federal awards and therefore a single audit was not required in 2008.

NOTE R – RESTRICTED NET ASSETS

Net assets have been restricted in the statement of net assets in the amount of \$316,371, which represents proceeds from the sinking fund levy which are restricted by enabling legislation.

BIG BAY DE NOC SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE S – INTERFUND BALANCES AND TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2008 resulted from a time lag between the dates that either, interfund goods or services are provided or reimbursable expenditures occur, or payments between funds are made. The interfund receivable and payable balances are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Playground	\$ 2,020		
Sinking/Construction	50,505		
Subtotal	<u>52,525</u>	General Fund	<u>\$ 52,525</u>
Athletic	<u>23</u>	School Lunch	<u>23</u>
		Major Maintenance	9,724
		School Lunch	5,958
		Athletic	579
		Memorial	1,609
		Library Construction	346
		Scholarship	<u>200</u>
General Fund	<u>18,416</u>	Subtotal	<u>18,416</u>
Memorial	<u>4,150</u>	Library Construction	<u>4,150</u>
Total	<u><u>\$ 75,114</u></u>	Total	<u><u>\$ 75,114</u></u>

Interfund operating transfers for the year ended June 30, 2008 were made from the General Fund to the School Lunch, Athletic, and Library construction funds to support the operations of those activities. Interfund transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 150,705
School Lunch Fund	33,271	-
Sinking/Construction	67,775	
Athletic Fund	<u>49,659</u>	<u>-</u>
Total	<u><u>\$ 150,705</u></u>	<u><u>\$ 150,705</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

BIG BAY DE NOC SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Local Sources	\$ 1,410,426	\$ 1,409,617	\$ 1,409,651	\$ 34
State Sources	801,290	800,406	809,716	9,310
Federal Sources	326,625	319,083	319,156	73
Other	44,144	51,370	51,416	46
TOTAL REVENUES	2,582,485	2,580,476	2,589,939	9,463
EXPENDITURES:				
Instruction:				
Basic Programs	1,015,150	1,013,774	1,013,114	660
Added Needs	425,474	423,654	423,509	145
Total Instruction	1,440,624	1,437,428	1,436,623	805
Support Services:				
Pupil	29,752	31,340	31,325	15
School Improvement	3,000	3,000	2,838	162
Technology	78,500	75,500	87,362	(11,862)
Professional Development	3,500	3,082	3,082	-
Instructional Staff - Library	39,000	38,346	38,308	38
Board of Education	22,000	21,545	21,477	68
Executive Administration	101,150	100,839	100,480	359
Office of the Principal	142,708	144,496	144,288	208
Fiscal Services	50,500	47,778	47,662	116
Community Services	11,025	10,788	10,788	-
Operation and Maintenance	245,060	243,109	242,896	213
Pupil Transportation	222,702	220,424	220,223	201
Information Services	5,600	5,475	5,393	82
Central Services	41,100	41,215	40,017	1,198
Total Support Services	995,597	986,937	996,139	(9,202)
Capital Outlay	28,000	27,860	15,357	12,503
Debt Service	35,370	35,069	35,067	2
Other	3,801	3,801	3,801	-
TOTAL EXPENDITURES	2,503,392	2,491,095	2,486,987	4,108
EXCESS REVENUES (EXPENDITURES)	79,093	89,381	102,952	13,571
OTHER FINANCING SOURCES (USES):				
Interest Earned	4,500	4,750	4,761	11
Operating Transfer Out	(152,205)	(150,705)	(150,705)	-
TOTAL OTHER FINANCING SOURCES (USES)	(147,705)	(145,955)	(145,944)	11
NET CHANGES IN FUND BALANCES	(68,612)	(56,574)	(42,992)	13,582
Fund Balance, Beginning of Year	507,385	507,385	507,385	-
FUND BALANCE, END OF YEAR	\$ 438,773	\$ 450,811	\$ 464,393	\$ 13,582

BIG BAY DE NOC SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE
SINKING/CONSTRUCTION**

For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	<u>\$ 292,675</u>	<u>\$ 295,700</u>	<u>\$ 296,716</u>	<u>\$ 1,016</u>
EXPENDITURES:				
Capital Outlay	<u>415,000</u>	<u>423,000</u>	<u>422,580</u>	<u>420</u>
EXCESS REVENUES (EXPENDITURES)	<u>(122,325)</u>	<u>(127,300)</u>	<u>(125,864)</u>	<u>1,436</u>
OTHER FINANCING SOURCES (USES):				
Interest Earned	<u>-</u>	<u>4,300</u>	<u>4,331</u>	<u>31</u>
Operating Transfer In	<u>67,775</u>	<u>67,775</u>	<u>67,775</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>67,775</u>	<u>72,075</u>	<u>72,106</u>	<u>31</u>
NET CHANGES IN FUND BALANCES	<u>(54,550)</u>	<u>(55,225)</u>	<u>(53,758)</u>	<u>1,467</u>
Fund Balance, Beginning of Year	<u>370,129</u>	<u>370,129</u>	<u>370,129</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 315,579</u></u>	<u><u>\$ 314,904</u></u>	<u><u>\$ 316,371</u></u>	<u><u>\$ 1,467</u></u>

OTHER SUPPLEMENTAL INFORMATION

BIG BAY DE NOC SCHOOL DISTRICT**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2008

	<u>Nonmajor Special Revenue Funds</u>				<u>Nonmajor Capital Project Funds</u>		Total Nonmajor Governmental Funds
	<u>School Lunch</u>	<u>Athletic</u>	<u>Memorial</u>	<u>Playground</u>	<u>Major Maintenance</u>	<u>Library Construction</u>	
ASSETS:							
Cash and Equivalents	\$ 1,299	\$ 1,360	\$ 1,976	\$ 6,540	\$ 11,968	\$ 2,130	\$ 25,273
Due from Other Funds	-	23	4,150	2,020.00	-	-	6,193
Inventory	3,824	-	-	-	-	-	3,824
TOTAL ASSETS	<u><u>\$ 5,123</u></u>	<u><u>\$ 1,383</u></u>	<u><u>\$ 6,126</u></u>	<u><u>\$ 8,560</u></u>	<u><u>\$ 11,968</u></u>	<u><u>\$ 2,130</u></u>	<u><u>\$ 35,290</u></u>
LIABILITIES:							
Accounts Payable	\$ 25	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 50
Due to Other Funds	5,981	579	1,609	-	9,724	4,496	22,389
Deferred Revenue	1,555	-	-	-	-	-	1,555
TOTAL LIABILITIES	<u>7,561</u>	<u>604</u>	<u>1,609</u>	<u>-</u>	<u>9,724</u>	<u>4,496</u>	<u>23,994</u>
FUND BALANCES							
Reserved:							
Reserved for Inventory	3,824	-	-	-	-	-	3,824
Unreserved:							
Undesignated	(6,262)	779	4,517	8,560	2,244	(2,366)	7,472
TOTAL FUND BALANCES	<u>(2,438)</u>	<u>779</u>	<u>4,517</u>	<u>8,560</u>	<u>2,244</u>	<u>(2,366)</u>	<u>11,296</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,123</u></u>	<u><u>\$ 1,383</u></u>	<u><u>\$ 6,126</u></u>	<u><u>\$ 8,560</u></u>	<u><u>\$ 11,968</u></u>	<u><u>\$ 2,130</u></u>	<u><u>\$ 35,290</u></u>

See accompanying notes to financial statements.

BIG BAY DE NOC SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2008

	<u>Nonmajor Special Revenue Funds</u>				<u>Nonmajor Capital Project Funds</u>		Total Nonmajor Governmental Funds
	<u>School Lunch</u>	<u>Athletic</u>	<u>Memorial</u>	<u>Playground</u>	<u>Major Maintenance</u>	<u>Library Construction</u>	
REVENUES:							
Local Sources	\$ 34,828	\$ 19,667	\$ 780	\$ 2,530	\$ -	\$ -	\$ 57,805
State Sources	15,140	-	-	-	-	-	15,140
Federal Sources	74,734	-	-	-	-	-	74,734
TOTAL REVENUES	124,702	19,667	780	2,530	-	-	147,679
EXPENDITURES:							
Support Services - Pupil:							
Athletics	-	70,052	-	-	-	-	70,052
Food Services	161,688	-	-	-	-	-	161,688
Other	-	-	1,192	-	-	-	1,192
Total Support Services - Pupil	161,688	70,052	1,192	-	-	-	232,932
Community Services:							
Library & Playground	-	-	-	126	9,500	2,675	12,301
TOTAL EXPENDITURES	161,688	70,052	1,192	126	9,500	2,675	245,233
EXCESS REVENUES (EXPENDITURES)	(36,986)	(50,385)	(412)	2,404	(9,500)	(2,675)	(97,554)
OTHER FINANCING SOURCES:							
Interest Earned	37	49	77	260	474	1	898
Operating Transfers In	33,271	49,659	-	-	-	-	82,930
TOTAL OTHER FINANCING SOURCES	33,308	49,708	77	260	474	1	83,828
NET CHANGE IN FUND BALANCES	(3,678)	(677)	(335)	2,664	(9,026)	(2,674)	(13,726)
Fund Balances, Beginning of Year	1,240	1,456	4,852	5,896	11,270	308	25,022
FUND BALANCES, END OF YEAR	\$ (2,438)	\$ 779	\$ 4,517	\$ 8,560	\$ 2,244	\$ (2,366)	\$ 11,296

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Big Bay de Noc School District
Cooks, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Bay de Noc School District, Cooks, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Big Bay de Noc School District's basic financial statements and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Big Bay de Noc School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Bay de Noc School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Big Bay de Noc School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Big Bay de Noc School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Big Bay de Noc School District's financial statements that is more than inconsequential will not be prevented or detected by the Big Bay de Noc School District's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

1. Deficiency – There is a lack of segregation of duties, the finance director performs essentially all accounting functions.

Management Response – Due to budget constraints and limited staffing, the District has determined that further segregation of duties would not be cost beneficial. The District has implemented compensating controls where possible and has segregated duties when possible to enhance its internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Big Bay de Noc School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency listed above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Bay de Noc School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below:

1. Condition – The District has a deficit unreserved fund balances in the School Lunch and Library Construction Funds.

Management Response – We will transfer the required amounts from the General Fund to each fund as part of the 2008-2009 budget.

We also noted certain other matters that we reported to management of the Big Bay de Noc School District in a separate letter dated October 10, 2008.

The Big Bay de Noc School District's response to the findings identified in our audit is described above. We did not audit the Big Bay de Noc School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 10, 2008

BIG BAY DE NOC SCHOOL DISTRICT
Cooks, Michigan

REPORT TO MANAGEMENT

Year Ended June 30, 2008



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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Laura L. Schwalbach, CPA

October 10, 2008

To the Board of Education
Big Bay de Noc School District
Cooks, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Bay de Noc School District for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 8, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Big Bay de Noc School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Big Bay de Noc School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on August 4, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Big Bay de Noc School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no

transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets for the purpose of calculating depreciation expense is based on management's knowledge of similar assets and the intended use of those assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated October 10, 2008, on the financial statements of the Big Bay de Noc School District.

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Anderson, Tackman & Company P.C.".

Anderson, Tackman & Company, PLC
Certified Public Accountants

BIG BAY DE NOC SCHOOL DISTRICT
COMMENTS AND RECOMMENDATIONS

June 30, 2008

PRENUMBERED CHECKS AND CHECK SEQUENCING

Comment:

During our testing of cash, we noted that the check stock is not pre-numbered and an instance where duplicate check numbers were issued.

Recommendation:

In order to improve internal controls over cash, the check stock should be pre-numbered to allow for the reconciliation of the check numbers and avoid duplication of check numbers.

Management Response:

The only time a duplicate check can print is at the change of the fiscal year. This should be monitored closely to be sure no numbers overlap. We have not ordered pre-numbered checks to date because of the large inventory of check stock we have on hand. When this is depleted we will order pre-numbered checks.

FEDERAL WAGES IMPROPERLY REPORTED TO MPSERS

Comment:

During our testing of MPSERS contributions, we noted that federal wages as reported to MPSERS was incorrect.

Recommendation:

We recommend that the District review the quarterly reporting to MPSERS to ensure federal wages are properly reported. The amount reported to MPSERS should be reconciled to the general ledger on a quarterly basis.

Response:

The quarterly reports will be reviewed by the payroll clerk and the finance director to be sure federal wages are reported correctly.

BIG BAY DE NOC SCHOOL DISTRICT
COMMENTS AND RECOMMENDATIONS

June 30, 2008

INVOICE PAID TWICE

Comment:

During our testing we noted a payment for athletic supplies was paid for twice, once from a sales order and another payment from an invoice.

Recommendation:

We recommend that the District review disbursements carefully to avoid double payment of invoices.

Response:

We contacted the company that was paid twice and they had a credit listed for the District for the overpayment. We have received a refund from the company and it will be accounted for in the 2008-2009 Athletic Fund budget. The system will not let you pay an invoice number twice unless you enter the number incorrectly. We will have to double check invoice numbers to be sure they are entered correctly.

IMPROPER CODING OF DISBURSEMENTS

Comment:

During our testing we noted a few payments which were recorded in the incorrect general ledger line item.

Recommendation:

We recommend that the District review disbursements to ensure they are properly recorded in the correct line item in order to maintain budgetary control and comparability from year to year.

Response:

We will review disbursements to be sure they are properly coded to the correct line item. When a purchase order is issued it is given an account and when it's paid the business manager will check to be sure it's coded to the correct line item.



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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

To the Board of Education and Management
of the Big Bay de Noc School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Big Bay de Noc School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Big Bay de Noc School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be significant deficiencies in internal control.

- There is a lack of segregation of duties, the finance director performs essentially all accounting functions.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the significant deficiency noted above constitutes a material weakness.

This communication is intended solely for the information and use of management, the Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 10, 2008